Before the

Federal Communications Commission

Washington, D.C. 20554

In the Matter of	)	
Connect America Fund	)	WC Docket No. 10-90
	)	
A National Broadband Plan for Our Future	)	GN Docket No. 09-51
	)	
Establishing Just and Reasonable Rates for Local	)	
Exchange Carriers	)	WC Docket No. 07-135
	)	
High-Cost Universal Service Support	)	WC Docket No. 05-337
	)	
Developing an Unified Intercarrier Compensation	)	
Regime	)	CC Docket No. 01-92
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
Lifeline and Link-Up	)	WC Docket No. 03-109
	)	
Universal Service Reform – Mobility Fund	)	WT Docket No. 10-208

FURTHER NOTICE OF PROPOSED RULEMAKING

REPLY COMMENTS OF
MESCALERO APACHE TELECOM, INC.

INTRODUCTION

Mescalero Apache Telecom, Inc. ("MATI") hereby submits its Reply Comments to the Federal Communications Commission ("FCC" or "Commission") in response to the Commission's Further Notice of Proposed Rulemaking ("FNPRM," or "Proposal").[1] In this Further Notice of Proposed Rulemaking, the Commission seeks comment on issues related to Universal Service Fund and Intercarrier Compensation Reform adopted concurrently with the FNPRM.[2] In its initial Comments, MATI addressed the Commission's proposal to initiate an interstate rate of return represcription proceeding. In these Reply Comments, MATI will respond to comments filed on January 18, 2012 that address the Commission's proposed Quantile Regression Analysis (QRA)-based methodology to limit high cost loop support recovery of certain operating and capital expenditures. MATI will also address more general issues regarding the lack of consideration for Tribal Areas and Tribally-owned carriers the Commission exhibited in its decisions and proposals related to Universal Service reform.

I. THE COMMISSION'S PROPSED LIMITATIONS ON CAPITAL AND OPERATING EXPENSES MUST BE ABANDONED OR REVISED FOR TRIBALLY-OWNED CARRIERS

As MATI discussed in its initial comments, the Commission's proposed QRA-based limitations on High Cost Loop Support (HCLS) related to recoverable capital and operating expenditures will have a substantially detrimental impact on MATI's operations and, by extension, its customers.[3] The impact of the QRA model alone will result in MATI losing over $462,000 in HCLS, which equates to approximately $33.50 per customer per month. Please keep in mind that MATI's lifeline-eligible customers equate to approximately 84% of its total customer base, exacerbating the problem even more. MATI simply cannot absorb this type of revenue reduction

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[1] Adopted October 27, 2011 and Released November 18, 2011 (*ICC/USF Order*)

[2] Report and Order and Further Notice of Proposed Rulemaking In the Matter of Connect America Fund, WC Docket No. 10-90; A National Broadband Plan for Our Future, GN Docket No. 09-51; Establishing Just and Reasonable Rates for Local Exchange Carriers, WC Docket No. 07-135; High-Cost Universal Service Support, WC Docket No. 05-337; Developing an Unified Intercarrier Compensation Regime, CC Docket No. 01-92; Federal-State Joint Board on Universal Service, CC Docket No. 96-45; Lifeline and Link-Up, WC Docket No. 03-109; and Universal Service Reform – Mobility Fund, WT Docket No. 10-208, released November 18, 2011.

[3] MATI Comments at 4-5

without severe consequences[4], and raising local or other rates in MATI's already economically-depressed service area is clearly not an option. Thus, the ultimate result of the Commission's proposals regarding the QRA model is to devolve communications on the Mescalero Apache Reservation to levels not seen in over a decade, and will certainly result in investment in broadband services coming to a crashing halt. To further depict this result, MATI would like to draw the Commission's attention to Exhibit B, attached. Using the general assumptions outlined in Exhibit B, combined with the infliction of quantile regression and other changes, modifications, and additions resulting from the Commission's *USF/ICC Transformation Order*, MATI is cash flow negative during 2015, or approximately three years from the date of these reply comments. This is simply not an option. Other Tribally-owned carriers find themselves in similar situations.[5]

MATI strongly opposes the application of the Commission's QRA model to Tribally-owned carriers, a position that seems to be common among other commenting parties. For example, the comments filed by the Rural Associations included a critique by Professor Roger Koenker[6], whom the Commission referenced as the creator of quantile regression analysis.[7] Professor Koenker criticizes the Commission's use of quantile regression, stating:

> "My primary criticism of the proposed FCC methodology lies in the way that cost estimates for individual cost components are aggregated. As I show in Section 3, the proposed aggregation yields cost limits that may be unduly stringent in some cases, and unduly lenient in others."[8]

A group of Consumer Advocates also criticized the Commission's proposed QRA methodology, and addressed whether the amount of support reductions caused by the operating and capital expense limitations should be redistributed back through the HCLS mechanism.[9] The Consumer Advocates end this section of their arguments by stating:

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[4] See MATI Comments at 5

[5] See Comments of Sacred Wind Communications, Hopi Telecommunications, and Gila River Telecommunications

[6] See Comments of the National Exchange Carrier Association, Inc., National Telecommunications Cooperative Association, Organization for the Promotion and Advancement of Small Telecommunications Companies, and Western Telecommunications Alliance (Rural Associations), Appendix E

[7] See ICC/USF Order, Appendix H ¶ 8

[8] Rural Associations Comments, Appendix E at 1

[9] Comments of The National Association of State Utility Consumer Advocates, Maine Office of the Public Advocate, The New Jersey Division of Rate Counsel, and The Utility Reform Network (Consumer Advocates) at 54

> "…if the FCC adopts the negative-sum game methodology, then it is imperative for the FCC to explain how the rate-of-return carriers will receive the entire $2 billion that the budget allocates to these carriers."[10]

MATI agrees with the Consumer Advocates in this regard, and strongly suggests the Commission, if against numerous comments and appeals, decides to move forward with the QRA model, not adopt a "negative sum game methodology" for implementing QRA methodology for HCLS support, which would indeed lead to a "negative sum game" for MATI and its customers. However, MATI prefers the Commission abandon, if not completely, then for Tribally-owned carriers, the proposed QRA-based methodology for limiting recovery of capital and operating expenditures.

A. Specific Revisions for Tribally-Owned Carriers

The Commission explicitly recognizes that special treatment may be warranted for Tribally owned and operated carriers in regards to QRA methodology:

> "We seek comment generally on whether network operation and investment by Tribally-owned and operated carriers is significantly different from non-Tribal conditions to warrant special treatment for purposes of establishing benchmarks for permissible capital and operating costs. We seek comment above on whether the 90th percentile is the appropriate dividing line to disallow recovery of costs, or whether we should establish a lower or higher threshold, such as the 85th percentile or the 95th percentile. We seek comment here on whether a different percentile is appropriate for Tribally-owned and operated carriers, or whether we should otherwise alter the methodology to take into account the unique circumstances of Tribally-owned and operated carriers that are just beginning to serve their communities."[11]

The Commission has received comment in regards to network operation and investment by Tribally-owned and operated carriers being "significantly different from non-Tribal conditions to warrant special treatment" from other Tribally-owned carriers.[12] MATI faces the same conditions as the other commenting Tribally-owned carriers; namely, substantially different processes and related costs for rights of way acquisition, lack of technically-trained residents on tribal lands, and a service area containing challenging terrain and other environmental factors.

[10] Consumer Advocate Comments at 56-57
[11] FNPRM at 1088
[12] See Comments of Sacred Wind Communications, Hopi Telecommunications, and Gila River Telecommunications

Based on the undisputed facts that Tribally-owned carriers face significantly different challenges in bringing universal service to tribal areas, and the fact that the Commission has now required such carriers to "provide broadband service at speeds of at least 4 Mbps downstream and 1 Mbps upstream with latency suitable for real-time applications, such as VoIP, and with usage capacity reasonably comparable to that available in residential terrestrial fixed broadband offerings in urban areas, upon reasonable request"[13], now is not the time for the Commission to drastically slash universal service support to Tribally-owned carriers. Reductions in support of the magnitude that will occur if the Commission's decisions and proposals for universal service reform stand will cause irreparable harm to MATI's ability to continue providing today's universal service. To then expect MATI to expand universal service to broadband with substantially less resources from the start is a recipe for failure. Indeed, the results of the Commission's decisions and proposals for universal service reform are in direct conflict with its own goals as stated in the National Broadband Plan:

> "Tribes need substantially greater financial support than is presently available to them, and accelerating Tribal broadband deployment will require increased funding."[14]

MATI concurs with the Comments filed by Gila River Telecommunications, Inc. that recommend the Commission keep Tribally-owned carriers whole as to 2011 levels of universal service support.[15] In the alternative, and in the event that the Commission, against the recommendations of numerous parties, adopts the QRA-based limitation on operating and capital expenses as proposed, MATI agrees with Gila River's recommendation that Tribally-owned carriers be subject to limitations based on the 100th percentile.

If the Commission ignores the comments of parties arguing vehemently and convincingly against the utilization of the QRA-based limitations, then MATI strongly suggests the Commission take a step back and carefully consider moving forward in a reasonable manner. Such an approach was advocated by the Consumer Advocates[16], and appears to be a rational approach to the Commission's perceived need to limit capital and operating expenses legally and reasonably incurred by rate of return rural LECs.

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[13] *ICC/USF Order* at 206
[14] *Connecting America: The National Broadband* Plan (March 16, 2010) at 152
[15] See Gila River Comments at 8
[16] Consumer Advocate Comments at 44-45

II. THE COMMISSION DISREGARDED ITS TRUST RESPONSIBILITY WITH TRIBES IN ADOPTING UNIVERSAL SERVICE REFORM

MATI would like to remind the Commission of language contained in the Commission's Policy Statement released June 23, 2000[17]:

> ***III. REAFFIRMATION OF PRINCIPLES OF TRIBAL SOVEREIGNTY AND THE FEDERAL TRUST RESPONSIBILITY***
>
> *Therefore, as an independent agency of the federal government, the Commission recognizes its own general trust relationship with, and responsibility to, federally-recognized Indian Tribes. The Commission also recognizes the rights of Indian Tribal governments to set their own communications priorities and goals for the welfare of their membership.*

The Commission's Statement of Policy on Establishing a Government-to-Government Relationship with Indian Tribes states in pertinent part:

> "The Commission, in accordance with the federal government's trust responsibility, and to the extent practicable, will consult with Tribal governments prior to implementing a regulatory action or policy that will significantly or uniquely affect Tribal governments, their land and resources."[18]

MATI is not aware that the Commission consulted with the Mescalero Apache Tribal Council (MATC), or with MATI itself, prior to adopting the *ICC/USF Order* and FNPRM. The MATC has full authority from the Mescalero Apache Tribe to "govern the conduct of any business venture that will further the economic well-being of the members of the Tribe" and the MATC "has the power to act for the Tribe."[19] As stated above, it is clear the Commission's Policy Statement meant for "…the rights of Tribal governments to set their own communications priorities and goals for the welfare of their membership." It is also clear that Resolution Number 99-07 included as an attachment to these reply comments "will further the economic well-being of the members of the Tribe." Thus, the Commission and the Mescalero Apache Tribe appear to

[17] Policy Statement, FCC 00-207, In the Matter of Statement of Policy on Establishing a Government-to-Government Relationship with Indian Tribes

[18] FCC's Statement of Policy on Establishing a Government-to-Government Relationship with Indian Tribes (rel. June 23, 2000) at 4

[19] See Mescalero Apache Tribe Resolution Number 99-07, included herein as Exhibit A.

have the same goals and intentions. It is also clear, however, that the Commission's recent decisions will most negatively and significantly affect the Mescalero Apache Tribe, and that, according to the Tribal Government Policy Statement, the Commission should have consulted with the Tribe, preferably through MATC and MATI, prior to issuing its Order.

The National Tribal Telecommunications Association (NTTA) made a similar statement in its comments:

> "…the requirement of the FCC's Trust policy to consult with Tribes on policies with 'material' impact on Tribes has not been implemented in a clear or comprehensive manner…the compelling need to include Tribes for the development of tribal solutions within [the] FCC's USF and ICC Order has not been realized."[20]

MATI agrees with NTTA's statement that a compelling need to consult with Tribes has not been met, and that the Commission must now consult with the Tribes prior to moving forward, and indeed with fixing what has been done before any further damage is done.

CONCLUSION

The Commission should abandon its QRA-based limitation on the HCLS recovery of certain operating and capital expenditures if not for all rate-of-return carriers, then at least for Tribally-owned carriers. If the Commission does not take this necessary and immediate step, the goal of preserving and advancing not only voice service, but broadband service as well, is in serious jeopardy.

MATI is also concerned about the Commission's apparent lack of consulting with the Mescalero Apache Tribe prior to adopting the reforms as contained in the *ICC/USF Order* and accompanying FNPRM. Tribally-owned carriers, against almost impossible odds, have performed admirably in making communications available to historically underserved and economically disadvantaged areas. The Commission should rectify its lack of Tribal engagement now and work with Tribes prior to adopting any further significant regulatory changes, and to mitigate the damage caused by its decisions in the *ICC/USF Order*.

[20] NTTA Comments at 7-8

Respectfully Submitted,

Godfrey Enjady

Mescalero Apache Telecom, Inc.

February 17, 2012

MESCALERO APACHE TRIBE
MESCALERO, NEW MEXICO

RESOLUTION NUMBER 99-07

WHEREAS, the Mescalero Apache Tribe, an Indian Tribe organized under the Indian Reorganization Act of June 18, 1934 (25 U.S.C. Section 476) and under its Revised Constitution has full power to act for the Tribe;

WHEREAS, the Mescalero Apache Tribal Council has the power to act for the Tribe, and to represent the Tribe in all matters under powers vested in it by Article XI of the Revised Constitution of the Mescalero Apache Tribe;

WHEREAS, the Mescalero Apache Tribal Council, pursuant to Article XI, Section (d) of the Revised Constitution of the Mescalero Apache Tribe, has the power to adopt and approve plans of operation to govern the conduct of any business venture that will further the economic well-being of the members of the Tribe;

WHEREAS, the Mescalero Apache Tribal Code provides for the organization of certain corporations under Tribal law;

WHEREAS, it is the desire of the Mescalero Apache Tribal Council to organize a corporation, wholly owned by the Tribe, having as its purpose the acquisition and operation of a telecommunications system;

NOW, THEREFORE, BE IT RESOLVED that the President of the Mescalero Apache Tribe, or his designated representative, is hereby authorized to issue a Certificate of Incorporation to Mescalero Apache Telecom, Inc.

BE IT FURTHER RESOLVED that the President of the Mescalero Apache Tribe, or his designated representative, is hereby authorized to accept, on behalf of the Tribe, shares of stock issued by said corporation.

MATI **Exhibit B**

Financial and Operating Forecast 2011 to 2020

Summary Forecast Financial Statements

BALANCE SHEET

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<u>ASSETS</u>										
Current & Non-Plant Assets										
Cash	$ 731,503	$ 896,387	$ 692,479	$ 253,962	$ (254,722)	$ (551,044)	$ (883,245)	$ (1,328,400)	$ (1,920,895)	$ (1,628,891)
Other Current Assets	$ 1,023,128	$ 1,023,128	$ 1,023,128	$ 1,023,128	$ 1,023,128	$ 1,023,128	$ 1,023,128	$ 1,023,128	$ 1,023,128	$ 1,023,128
Non-current Assets	$ 228,538	$ 228,538	$ 228,538	$ 228,538	$ 228,538	$ 228,538	$ 228,538	$ 228,538	$ 228,538	$ 228,538
	$ 1,983,169	$ 2,148,053	$ 1,944,145	$ 1,505,628	$ 996,944	$ 700,622	$ 368,421	$ (76,734)	$ (669,229)	$ (377,225)
Other Plant Assets	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000
Telephone Plant in Service										
General Support Facilities	$ 1,604,011	$ 1,614,011	$ 1,624,011	$ 1,634,011	$ 1,644,011	$ 1,654,011	$ 1,664,011	$ 1,674,011	$ 1,684,011	$ 1,694,011
Central Office Switching	$ 2,129,446	$ 2,129,446	$ 2,129,446	$ 2,129,446	$ 2,129,446	$ 2,179,446	$ 2,179,446	$ 2,179,446	$ 2,179,446	$ 2,179,446
Operator Systems	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Circuit Equipment	$ 3,225,455	$ 3,265,455	$ 3,305,455	$ 3,345,455	$ 3,385,455	$ 3,425,455	$ 3,465,455	$ 3,505,455	$ 3,545,455	$ 3,585,455
IOT Equipment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cable & Wire Facilities	$ 9,077,611	$ 9,637,611	$ 10,197,611	$ 10,757,611	$ 11,317,611	$ 11,477,611	$ 11,637,611	$ 11,797,611	$ 11,957,611	$ 12,117,611
Tangible & Intangible Plant Assets	$ 1,023,794	$ 1,023,794	$ 1,023,794	$ 1,023,794	$ 1,023,794	$ 1,023,794	$ 1,023,794	$ 1,023,794	$ 1,023,794	$ 1,023,794
	$ 17,060,317	$ 17,670,317	$ 18,280,317	$ 18,890,317	$ 19,500,317	$ 19,760,317	$ 19,970,317	$ 20,180,317	$ 20,390,317	$ 20,600,317
Accumulated Depreciation										
General Support Facilities	$ (1,041,202)	$ (1,142,640)	$ (1,228,314)	$ (1,282,283)	$ (1,336,125)	$ (1,380,236)	$ (1,418,897)	$ (1,457,809)	$ (1,496,970)	$ (1,536,382)
Central Office Switching	$ (1,842,448)	$ (2,019,831)	$ (2,129,446)	$ (2,129,446)	$ (2,129,446)	$ (2,179,446)	$ (2,179,446)	$ (2,179,446)	$ (2,179,446)	$ (2,179,446)
Operator Systems	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Circuit Equipment	$ (2,653,813)	$ (3,010,813)	$ (3,305,455)	$ (3,345,455)	$ (3,385,455)	$ (3,425,455)	$ (3,465,455)	$ (3,505,455)	$ (3,545,455)	$ (3,585,455)
IOT Equipment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cable & Wire Facilities	$ (4,987,172)	$ (5,431,413)	$ (5,909,814)	$ (6,422,375)	$ (6,969,096)	$ (7,537,777)	$ (8,098,547)	$ (8,628,323)	$ (9,167,860)	$ (9,711,212)
Tangible & Intangible Plant Assets	$ (108,093)	$ (138,807)	$ (169,520)	$ (200,234)	$ (230,948)	$ (261,662)	$ (292,376)	$ (323,090)	$ (353,803)	$ (384,517)
	$ (10,632,729)	$ (11,743,504)	$ (12,742,550)	$ (13,379,793)	$ (14,051,070)	$ (14,784,576)	$ (15,454,721)	$ (16,094,123)	$ (16,743,534)	$ (17,397,012)
Non-Regulated Assets	$ 112,637	$ 112,637	$ 112,637	$ 112,637	$ 112,637	$ 112,637	$ 112,637	$ 112,637	$ 112,637	$ 112,637
TOTAL ASSETS	**$ 8,573,394**	**$ 8,237,503**	**$ 7,644,549**	**$ 7,178,789**	**$ 6,608,828**	**$ 5,839,000**	**$ 5,046,654**	**$ 4,172,097**	**$ 3,140,191**	**$ 2,988,717**
<u>LIABILITIES & EQUITY</u>										
Current Liabilities	$ 392,482	$ 392,482	$ 392,482	$ 392,482	$ 392,482	$ 392,482	$ 392,482	$ 392,482	$ 392,482	$ 392,482
Net Deferred Operating Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Long Term Debt	$ 6,735,809	$ 6,038,052	$ 5,303,304	$ 4,529,598	$ 3,714,858	$ 2,856,899	$ 1,953,412	$ 1,001,970	$ -	$ -
Other Liabilities & Deferred Credits	$ 22,734	$ 22,734	$ 22,734	$ 22,734	$ 22,734	$ 22,734	$ 22,734	$ 22,734	$ 22,734	$ 22,734
	$ 7,151,025	$ 6,453,268	$ 5,718,520	$ 4,944,814	$ 4,130,074	$ 3,272,115	$ 2,368,628	$ 1,417,186	$ 415,216	$ 415,216
Capital Stock	$ 400,000	$ 400,000	$ 400,000	$ 400,000	$ 400,000	$ 400,000	$ 400,000	$ 400,000	$ 400,000	$ 400,000
Retained Earnings	$ 1,022,369	$ 1,384,235	$ 1,526,029	$ 1,833,975	$ 2,078,754	$ 2,166,885	$ 2,278,026	$ 2,354,911	$ 2,324,975	$ 2,173,501
	$ 1,422,369	$ 1,784,235	$ 1,926,029	$ 2,233,975	$ 2,478,754	$ 2,566,885	$ 2,678,026	$ 2,754,911	$ 2,724,975	$ 2,573,501
TOTAL LIABILITIES & EQUITY	**$ 8,573,394**	**$ 8,237,503**	**$ 7,644,549**	**$ 7,178,789**	**$ 6,608,828**	**$ 5,839,000**	**$ 5,046,654**	**$ 4,172,097**	**$ 3,140,191**	**$ 2,988,717**

MATI **Exhibit B**

Financial and Operating Forecast 2011 to 2020

Summary Forecast Financial Statements

INCOME STATEMENT	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
REVENUES										
End User Revenues										
Local Revenues	$ (549,834)	$ (543,405)	$ (537,244)	$ (531,723)	$ (526,472)	$ (521,489)	$ (516,776)	$ (512,332)	$ (508,158)	$ (504,253)
Interstate EUCL	$ (60,104)	$ (58,251)	$ (56,476)	$ (54,890)	$ (53,382)	$ (51,951)	$ (50,599)	$ (49,324)	$ (48,128)	$ (47,010)
State EUCL	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Access Recovery Charge (ARC)	$ -	$ (2,337)	$ (6,714)	$ (10,740)	$ (12,396)	$ (11,637)	$ (10,467)	$ (9,144)	$ (8,028)	$ (6,948)
	$ (609,938)	$ (603,993)	$ (600,435)	$ (597,353)	$ (592,249)	$ (585,078)	$ (577,842)	$ (570,801)	$ (564,314)	$ (558,210)
Support Revenues										
Federal High Cost Loop	$ (1,933,860)	$ (1,554,632)	$ (1,216,207)	$ (1,191,128)	$ (1,181,901)	$ (1,109,453)	$ (1,125,267)	$ (1,104,078)	$ (1,035,186)	$ (964,665)
Federal Safety Net Additive	$ (18,524)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Federal Local Switching Support	$ (368,396)	$ (184,198)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Federal Interstate Common Line Support	$ (1,208,160)	$ (1,048,234)	$ (1,085,477)	$ (1,025,072)	$ (1,049,663)	$ (1,075,953)	$ (1,066,147)	$ (1,065,615)	$ (1,074,856)	$ (1,082,818)
State Support Program	$ (179,498)	$ (179,498)	$ (179,498)	$ (179,498)	$ (179,498)	$ (179,498)	$ (179,498)	$ (179,498)	$ (179,498)	$ (179,498)
Connect America Fund (CAF)	$ -	$ (252,450)	$ (491,476)	$ (475,808)	$ (470,373)	$ (463,196)	$ (448,571)	$ (427,734)	$ (407,767)	$ (388,361)
High Cost Support Limit	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ (3,708,438)	$ (3,219,013)	$ (2,972,658)	$ (2,871,506)	$ (2,881,436)	$ (2,828,100)	$ (2,819,483)	$ (2,776,924)	$ (2,697,307)	$ (2,615,342)
Access Revenues										
Interstate Switched Access Revenue	$ (97,643)	$ (88,478)	$ (83,407)	$ (71,793)	$ (51,687)	$ (32,724)	$ (22,284)	$ (19,872)	$ (17,584)	$ (15,829)
Interstate Special Access Revenue	$ (491,841)	$ (564,199)	$ (543,998)	$ (481,364)	$ (486,717)	$ (489,679)	$ (491,421)	$ (492,140)	$ (496,061)	$ (499,622)
NECA Settlements	$ 184,882	$ (37,771)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
State Switched Access Revenue	$ (10,213)	$ (8,959)	$ (10,111)	$ (10,549)	$ (8,004)	$ (5,726)	$ (4,425)	$ (3,990)	$ (3,592)	$ (3,264)
State Special Access Revenue	$ (23,011)	$ (21,477)	$ (19,943)	$ (19,943)	$ (19,943)	$ (19,943)	$ (19,943)	$ (19,943)	$ (19,943)	$ (19,943)
Reciprocal Compensation	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ -
	$ (437,826)	$ (720,884)	$ (657,459)	$ (583,650)	$ (566,351)	$ (548,072)	$ (538,073)	$ (535,945)	$ (537,180)	$ (538,658)
Miscellaneous Revenues	$ (574,724)	$ (582,768)	$ (590,972)	$ (599,341)	$ (607,877)	$ (616,584)	$ (625,465)	$ (634,523)	$ (643,763)	$ (653,187)
TOTAL REVENUES	**$ (5,330,927)**	**$ (5,126,658)**	**$ (4,821,523)**	**$ (4,651,850)**	**$ (4,647,913)**	**$ (4,577,833)**	**$ (4,560,862)**	**$ (4,518,194)**	**$ (4,442,564)**	**$ (4,365,397)**
EXPENSES										
Plant Specific Expenses	$ 1,582,283	$ 1,498,860	$ 1,528,837	$ 1,559,414	$ 1,590,602	$ 1,622,414	$ 1,654,863	$ 1,687,960	$ 1,721,719	$ 1,756,153
Plant Non-Specific Expenses	$ 421,357	$ 380,024	$ 387,624	$ 395,377	$ 403,284	$ 411,350	$ 419,577	$ 427,969	$ 436,529	$ 445,260
Depreciation & Amortization Expense	$ 1,080,065	$ 1,110,776	$ 999,046	$ 637,243	$ 671,277	$ 733,506	$ 670,145	$ 639,402	$ 649,412	$ 653,478
Customer Operations Expenses	$ 340,741	$ 333,110	$ 339,772	$ 346,567	$ 353,499	$ 360,569	$ 367,780	$ 375,136	$ 382,638	$ 390,290
Corporate Operations Expenses	$ 1,026,094	$ 971,009	$ 990,429	$ 1,010,238	$ 1,030,443	$ 1,051,052	$ 1,072,073	$ 1,093,514	$ 1,115,384	$ 1,137,692
Other Income & Expenses	$ 506,137	$ 471,013	$ 434,022	$ 395,064	$ 354,030	$ 310,811	$ 265,283	$ 217,328	$ 166,818	$ 133,998
TOTAL EXPENSES Before Income Taxes	**$ 4,956,677**	**$ 4,764,792**	**$ 4,679,730**	**$ 4,343,903**	**$ 4,403,135**	**$ 4,489,702**	**$ 4,449,721**	**$ 4,441,309**	**$ 4,472,500**	**$ 4,516,871**
NET (INCOME) / LOSS Before Taxes	**$ (374,250)**	**$ (361,866)**	**$ (141,794)**	**$ (307,947)**	**$ (244,778)**	**$ (88,131)**	**$ (111,142)**	**$ (76,885)**	**$ 29,936**	**$ 151,474**
Federal & State Income Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deferred Operating Income Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
NET (INCOME) / LOSS	**$ (374,250)**	**$ (361,866)**	**$ (141,794)**	**$ (307,947)**	**$ (244,778)**	**$ (88,131)**	**$ (111,142)**	**$ (76,885)**	**$ 29,936**	**$ 151,474**

MATI **Exhibit B**

Financial and Operating Forecast 2011 to 2020

Summary Forecast Financial Statements

CASH FLOWS

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
OPERATING CASH FLOWS										
Net Income	$ 374,250	$ 361,866	$ 141,794	$ 307,947	$ 244,778	$ 88,131	$ 111,142	$ 76,885	$ (29,936)	$ (151,474)
Depreciation & Amortization	$ 1,080,064	$ 1,110,776	$ 999,046	$ 637,243	$ 671,277	$ 733,506	$ 670,145	$ 639,402	$ 649,412	$ 653,478
Decrease (Increase) in Assets	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Increase (Decrease) in Liabilities	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ 1,454,314	$ 1,472,642	$ 1,140,839	$ 945,190	$ 916,055	$ 821,637	$ 781,286	$ 716,287	$ 619,476	$ 502,004
INVESTING CASH FLOWS										
Sale (Purchase) of PP&E	$ (466,549)	$ (610,000)	$ (610,000)	$ (610,000)	$ (610,000)	$ (260,000)	$ (210,000)	$ (210,000)	$ (210,000)	$ (210,000)
Decrease (Increase) in Assets	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Increase (Decrease) in Liabilities	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ (466,549)	$ (610,000)	$ (610,000)	$ (610,000)	$ (610,000)	$ (260,000)	$ (210,000)	$ (210,000)	$ (210,000)	$ (210,000)
FINANCING CASH FLOWS										
Long Term Debt	$ (799,795)	$ (697,757)	$ (734,748)	$ (773,706)	$ (814,740)	$ (857,959)	$ (903,487)	$ (951,442)	$ (1,001,970)	$ -
Other Liabilities & Deferred Credits	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Capital Stock	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Dividends Paid	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ (799,795)	$ (697,757)	$ (734,748)	$ (773,706)	$ (814,740)	$ (857,959)	$ (903,487)	$ (951,442)	$ (1,001,970)	$ -
TOTAL INCREASE (DECREASE) IN CASH	**$ 187,970**	**$ 164,885**	**$ (203,909)**	**$ (438,516)**	**$ (508,685)**	**$ (296,322)**	**$ (332,201)**	**$ (445,155)**	**$ (592,494)**	**$ 292,004**
BEGINNING CASH BALANCE	$ 543,533	$ 731,503	$ 896,387	$ 692,479	$ 253,962	$ (254,722)	$ (551,044)	$ (883,245)	$ (1,328,400)	$ (1,920,895)
ENDING CASH BALANCE	$ 731,503	$ 896,387	$ 692,479	$ 253,962	$ (254,722)	$ (551,044)	$ (883,245)	$ (1,328,400)	$ (1,920,895)	$ (1,628,891)

General Assumptions

Capital Expenditures are projected to be $610,000 for years 2012 through 2015, $260,000 for 2016, and $210,000 for years 2017 through 2020.

Expenses are projected based on the latest company information available for 2011, and budget information for 2012. Expenses are projected to grow at a 2% rate from 2013 through 2020.

Beginning in 2012, Residential Access Lines are projected to decline approximately 4% per year, while Business Access Lines are projected to grow at a rate of approximately 1% per year.

Jurisdictional allocations are developed based on the 2010 Jurisdictional Cost Study submitted to NECA.